MAKHUDUTHAMAGA LOCAL MUNICIPALITY

(Municipal demarcation code LIM473)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

General Information

Nature of business and principal activities	Provision of municipal quality services and maintaining the best interests of the local community in the Makhuduthamaga area
Municipal Mayor	Cllr Matlala M.A
Municipal Council Speaker	Cllr Makaleng M
Executive Committee	Cllr Malaka M.S (Chief Whip) Cllr Lerobane M.P Cllr Maisela R.K Cllr Madiba M.E Cllr Mampane A (Head of Budget & Treasury portfolio) Cllr Masemola R.H (Head of Infrastructure development portfolio) Cllr Matjomane N.M (Head of Planning and development portfolio) Cllr Mndebele M.E (Head of Community Services portfolio) Cllr Tala M.A
Grading of local authority	Low capacity municipality
Accounting Officer	Mr Moropa M.E
Chief Financial Officer (CFO)	Mrs Diale D.S
Registered office	Makhuduthamaga Municipality LIM473 No 1 Groblersdal road Next to Jane Furse Plaza 1085
Business address	No 1 Groblersdal road Next to Jane Furse Plaza Jane Furse 1085 www.makhuduthamaga.gov.za
Postal address	Private Bag x 434 Jane Furse 1085 Tel:013 265 8600 Fax:013 265 1975
Bankers	ABSA Bank Limited
Auditors	Auditor General South Africa

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The reports and statements set out below comprise the annual financial statements presented to the Council of Makhuduthamaga Municipality:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DOE	Department of Energy
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grant
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on page 8 to 80, and appendixes as set out on page 81 to 94 which have been prepared on the going concern basis, were approved by the accounting officer on 18 November 2014:

Accounting Officer
MOROPA M.E

18 November 2014

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 5 (Five) meetings were held and the term of the Audit committee lapsed and a new Audit committee was appointed. The new appointed Audit committee had only an induction and no formal meeting within the period of the current year. The attendance of the old audit committee members was as follows.

Name of member	Number of meetings attended
Ntwampe R.G (Chairperson)	5
Mashala K.E CA (SA)	5
Nekhavhambe S.B	5
Gafane L.A.T	5
Chuene V.K	5
New Audit Committee	1 Induction
Gafane L.A.T (Chair Person) - Appointed on 01 May 2014	1
Chuene V.K - Appointed on 01 May 2014	1
Ndadana L.M CA (SA) - Appointed on 01 May 2014	1
Makaba G.M - Appointed on 01 May 2014	1
Mashala K.E CA (SA)	1

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:
- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the accounting officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Audit Committee Report

The audit committee concur with and accept the Auditor-General of South Africa's report, the annual financial statements, and is of the opinion that the unaudited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee

Date:

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal quality services and maintaining the best interests of the local community in the Makhuduthamaga area.

Net surplus of the municipality was R 78 667 862 (2013: surplus R 33 754 974

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
ME Moropa	South African

6. Bankers

The municipality banks primarily with ABSA Bank Limited.

7. Auditors

The Auditor General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Cash and cash equivalents	3	129 701 971	127 395 145
Inventories	4	763 222	378 374
Receivables from non exchange transactions	5	3 422 269	1 544 352
Receivables from exchange transactions	6	602 604	606 101
VAT receivable	7	15 296 313	9 949 468
		149 786 379	**139 873 440**
Non-Current Assets			
Intangible assets	8	1 008 605	386 650
Investment property	9	1 171 500	1 171 500
Property, plant and equipment	10	203 433 930	148 652 108
		205 614 035	**150 210 258**
Total Assets		**355 400 414**	**290 083 698**
Liabilities			
Current Liabilities			
Finance lease obligation	11	-	78 283
Payables from exchange transactions	12	21 934 800	16 983 558
Unspent conditional grants and receipts	13	7 792 195	25 823 301
		29 726 995	**42 885 142**
Non-Current Liabilities			
Post employment medical aid liability	14	1 929 000	1 820 000
Long Service awards	14	1 130 000	1 432 000
		3 059 000	**3 252 000**
Total Liabilities		**32 785 995**	**46 137 142**
Net Assets		**322 614 419**	**243 946 556**
Accumulated surplus		322 614 419	243 946 556

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Government grants & subsidies	16	203 683 107	170 730 087
Interest received	17	20 282 597	12 999 259
Other income	18	577 000	926 845
Property rates	19	43 986 731	27 660 306
Licenses and permits		4 038 872	3 790 680
Rental of facilities and equipment		75 369	25 757
Profit on sale of assets		341 641	-
Actuarial gain	20	1 308 000	-
Traffic fines		156 030	8 100
Total revenue		**274 449 347**	**216 141 034**
Expenditure			
Empoyee related costs	21	(43 738 747)	(35 248 149)
Remuneration of councillors	22	(16 688 275)	(15 633 072)
Administration	23	(6 054 400)	(5 928 780)
Depreciation and amortisation	24	(10 955 840)	(9 064 338)
Impairment loss/ Reversal of impairments	25	-	(1 369 986)
Finance costs	26	(283 366)	(192 224)
Debt impairment	27	(36 155 334)	(45 985 588)
Repairs and maintenance	28	(15 446 776)	(13 988 037)
Contracted services	29	(13 037 163)	(11 744 217)
Grants and subsidies paid	30	(4 408 636)	(3 900 452)
Loss on sale of assets		(17 909 314)	(14 468 811)
General Expenses	31	(28 736 667)	(23 006 978)
Auditor's remuniration	43	(2 366 967)	(1 855 428)
Total expenditure		**(195 781 485)**	**(182 386 060)**
Operating surplus		**78 667 862**	**33 754 974**
Surplus for the year		**78 667 862**	**33 754 974**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	303 680 272	303 680 272
Adjustments		
Prior year adjustments	(93 488 690)	(93 488 690)
Balance at 01 July 2012 as restated*	**210 191 582**	**210 191 582**
Changes in net assets		
Surplus for the year as restated	33 754 974	33 754 974
Total changes	33 754 974	33 754 974
Balance at 01 July 2013	**243 946 557**	**243 946 557**
Changes in net assets		
Surplus for the year	78 667 862	78 667 862
Total changes	78 667 862	78 667 862
Balance at 30 June 2014	**322 614 419**	**322 614 419**

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Property rates		1 585 421	4 877 825
Cash received from consumers and other sources of revenue		4 537 402	4 525 917
Grants		185 805 840	192 034 805
Interest income		20 044 669	12 646 868
		211 973 332	214 085 415
Payments			
Employee costs		(42 904 747)	(33 973 149)
Cash paid to suppliers and other related services		(66 050 896)	(66 921 633)
Interest paid		(2 366)	(13 224)
Councillors allowances		(16 688 275)	(15 633 072)
		(125 646 284)	(116 541 078)
Net cash flows from operating activities	32	**86 327 048**	**97 544 337**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(83 208 535)	(50 690 939)
Proceeds from sale of property, plant and equipment	10	390 150	16 864
Purchase of intangible assets	8	(1 121 188)	(6 900)
Net cash flows from investing activities		**(83 939 573)**	**(50 680 975)**
Cash flows from financing activities			
Finance lease (payments)/Receipts		(80 649)	(138 256)
Net increase/(decrease) in cash and cash equivalents		**2 306 826**	**46 725 106**
Cash and cash equivalents at the beginning of the year		127 395 145	80 670 039
Cash and cash equivalents at the end of the year	3	**129 701 971**	**127 395 145**

Makhuduthamaga Local Municipality
(Municipal demarcation code LIM473)
Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	100 000	(40 000)	**60 000**	75 369	**15 369**	Appendix E1
Licenses and permits	6 059 411	(1 000 000)	**5 059 411**	4 038 872	**(1 020 539)**	Appendix E1
Profit on sale of assets	-	-	**-**	341 641	**341 641**	Appendix E1
Actuarial gain	-	-	**-**	1 308 000	**1 308 000**	Appendix E1
Other income	9 013 400	(7 713 400)	**1 300 000**	577 000	**(723 000)**	Appendix E1
Interest received - investment	4 084 512	2 645 116	**6 729 628**	7 827 305	**1 097 677**	Appendix E1
Interest earned - outstanding debtors	5 250 789	5 110 704	**10 361 493**	12 455 292	**2 093 799**	Appendix E1
Total revenue from exchange transactions	**24 508 112**	**(997 580)**	**23 510 532**	**26 623 479**	**3 112 947**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	28 813 349	3 565 110	**32 378 459**	43 986 731	**11 608 272**	Appendix E1
Traffic fines	10 000	40 000	**50 000**	156 030	**106 030**	
Government grants & subsidies - Capital	54 870 000	19 292 236	**74 162 236**	41 539 106	**(32 623 130)**	Appendix E1
Government grants & subsidies - Operational	160 440 000	-	**160 440 000**	162 144 001	**1 704 001**	Appendix E1
Total revenue from non-exchange transactions	**244 133 349**	**22 897 346**	**267 030 695**	**247 825 868**	**(19 204 827)**	
Total revenue	**268 641 461**	**21 899 766**	**290 541 227**	**274 449 347**	**(16 091 880)**	
Expenditure						
Personnel	(55 150 992)	7 931 711	**(47 219 281)**	(43 738 747)	**3 480 534**	Appendix E1
Remuneration of councillors	(16 703 073)	(167 407)	**(16 870 480)**	(16 688 275)	**182 205**	Appendix E1
Administration	(7 120 890)	(1 182 893)	**(8 303 783)**	(6 054 400)	**2 249 383**	Appendix E1
Transfer payments	-	(4 055 264)	**(4 055 264)**	(2 366 967)	**1 688 297**	Appendix E1
Depreciation and amortisation	(24 066 148)	10 254 565	**(13 811 583)**	(10 955 840)	**2 855 743**	Appendix E1
Finance costs	(283 366)	-	**(283 366)**	(283 366)	**-**	Appendix E1
Debt impairment	(5 218 144)	-	**(5 218 144)**	(36 155 334)	**(30 937 190)**	Appendix E1
Repairs and maintenance	(19 305 600)	(547 624)	**(19 853 224)**	(15 446 776)	**4 406 448**	Appendix E1
Contracted Services	(13 037 163)	-	**(13 037 163)**	(13 037 163)	**-**	Appendix E1
Grants and subsidies paid	(4 890 000)	-	**(4 890 000)**	(4 408 636)	**481 364**	Appendix E1

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets	-	-	**-**	(17 909 314)	**(17 909 314)**	
General Expenses	(52 422 809)	(5 522 246)	**(57 945 055)**	(28 736 667)	**29 208 388**	Appendix E1
Total expenditure	**(198 198 185)**	**6 710 842**	**(191 487 343)**	**(195 781 485)**	**(4 294 142)**	
Surplus before taxation	**70 443 276**	**28 610 608**	**99 053 884**	**78 667 862**	**(20 386 022)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**70 443 276**	**28 610 608**	**99 053 884**	**78 667 862**	**(20 386 022)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	233 735	-	**233 735**	763 222	**529 487**	Final Budget
Receivables from exchange transactions	-	-	**-**	602 604	**602 604**	Final Budget
VAT receivable	11 192 811	-	**11 192 811**	15 296 313	**4 103 502**	Final Budget
Consumer debtors	122 993 923	-	**122 993 923**	3 422 269	**(119 571 654)**	Final Budget
Cash and cash equivalents	18 141 859	28 460 608	**46 602 467**	129 701 971	**83 099 504**	Final Budget
	152 562 328	**28 460 608**	**181 022 936**	**149 786 379**	**(31 236 557)**	
Non-Current Assets						
Investment property	1 171 500	-	**1 171 500**	1 171 500	**-**	Final Budget
Property, plant and equipment	363 425 959	-	**363 425 959**	203 433 930	**(159 992 029)**	Final Budget
Intangible assets	363 796	-	**363 796**	1 008 605	**644 809**	Final Budget
	364 961 255	**-**	**364 961 255**	**205 614 035**	**(159 347 220)**	
Total Assets	**517 523 583**	**28 460 608**	**545 984 191**	**355 400 414**	**(190 583 777)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	31 900 000	-	**31 900 000**	21 934 800	**(9 965 200)**	Final Budget
Unspent conditional grants and receipts	-	-	**-**	7 792 195	**7 792 195**	Final Budget
Provisions	8 827 377	-	**8 827 377**	-	**(8 827 377)**	Final Budget
	40 727 377	**-**	**40 727 377**	**29 726 995**	**(11 000 382)**	
Non-Current Liabilities						
Post employment medical aid liability	1 820 000	-	**1 820 000**	1 929 000	**109 000**	Final Budget
Long Service awards	1 916 000	-	**1 916 000**	1 130 000	**(786 000)**	Final Budget
	3 736 000	**-**	**3 736 000**	**3 059 000**	**(677 000)**	
Total Liabilities	**44 463 377**	**-**	**44 463 377**	**32 785 995**	**(11 677 382)**	
Net Assets	**473 060 206**	**28 460 608**	**501 520 814**	**322 614 419**	**(178 906 395)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	473 060 206	28 460 608	**501 520 814**	322 614 419	**(178 906 395)**	Final Budget

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Rate payers and Other	31 382 801	1 136 600	**32 519 401**	6 122 823	**(26 396 578)**	Final Budget
Government grants - Operating	160 440 000	-	**160 440 000**	160 490 840	**50 840**	Final Budget
Government grants - Capital	54 870 000	-	**54 870 000**	25 315 000	**(29 555 000)**	Final Budget
Interest income	4 084 512	2 645 116	**6 729 628**	20 044 669	**13 315 041**	Final Budget
	250 777 313	**3 781 716**	**254 559 029**	**211 973 332**	**(42 585 697)**	
Payments						
Employee costs	(55 150 992)	7 931 711	**(47 219 281)**	(42 904 747)	**4 314 534**	Final Budget
Suppliers	(108 645 946)	20 039 064	**(88 606 882)**	(66 053 262)	**22 553 620**	Final Budget
Councilor allowances	(16 703 073)	(167 407)	**(16 870 480)**	(16 688 275)	**182 205**	Final Budget
	(180 500 011)	**27 803 368**	**(152 696 643)**	**(125 646 284)**	**27 050 359**	
Net cash flows from operating activities	**70 277 302**	**31 585 084**	**101 862 386**	**86 327 048**	**(15 535 338)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(147 719 901)	(3 732 826)	**(151 452 727)**	(83 208 535)	**68 244 192**	Final Budget
Proceeds from sale of property, plant and equipment	-	-	**-**	390 150	**390 150**	Final Budget
Purchase of other intangible assets	-	-	**-**	(1 121 188)	**(1 121 188)**	Final Budget
Net cash flows from investing activities	**(147 719 901)**	**(3 732 826)**	**(151 452 727)**	**(83 939 573)**	**67 513 154**	
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(80 649)	**(80 649)**	Final Budget
Net increase/(decrease) in cash and cash equivalents	(77 442 599)	27 852 258	**(49 590 341)**	2 306 826	**51 897 167**	
Cash and cash equivalents at the beginning of the year	127 395 145	-	**127 395 145**	127 395 145	**-**	Final Budget
Cash and cash equivalents at the end of the year	**49 952 546**	**27 852 258**	**77 804 804**	**129 701 971**	**51 897 167**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period, except for the changes set out in note changes in accounting policy.

Going concern assumption.

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

In determining the allowance for stock to write stock down to the lower of cost or net realisable value, management have made estimates of the selling price and direct cost to sell on certain inventory items.

Impairment testing

The recoverable (services) amount of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

1.2 Significant judgements and sources of estimation uncertainty (continued)

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. .

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The ssumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the approprite discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the estimated future cash flows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20

Effective interest rate

The municipality used the prime interest rate plus 1% to discount future cash flows.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Accounting Policies

1.4 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	indefinite
Buildings	25 Years
Plant and machinery	2 - 10 Years
Furniture and fixtures	7 Years
Motor vehicles	8 Years
Office equipment	3 - 5 Years
IT equipment	5 Years
Loose tools	5 Years
Bridges	15 Years
Prefabricated culvets	15 Years
Concrete kerbing, channeling, chutes and downpipes	40 Years
Mass earthworks	80 Years
Pavement layers	15 Years
Prime coat	15 Years
Double seal	15 Years
Pitching, stonework and protection	15 Years
Gabions	25 Years
Guardrails	25 Years
Road signs	15 Years
Road markings	15 Years
Concrete block paving for roads	15 years
Concrete for structures	15 Years
Street lighting	15 Years
High mast light	15 Years
Capital Work in Progress	Not depreciated

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Accounting Policies

1.4 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of Property Plant and Equipment. Such obligations are reffered to as decommissioning, restoration and similar liabilities. The cost ofan item of property, plant and equipment includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incures either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) Subject to (b), changes in the liability are added to, or deducted from, the cost of the relatted asset in the current period.

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;

and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. if it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generateing assets and/or impairment of non-cash generating assets.

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.5 Intangible assets (continued)

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

An intangible assets arising from development (or from the development phase of an internal project) is recognised when:

(a) it is technically feasible to complete the asset so that it will be available for use or sale;

(b) there is an intention to complete and use or sell it;

(c) there is an ability to use or sell it;

(d) it will generate probable future economic benefits or service potential;

(e) there are available technical, financial and other resources to complete the development and to use or sell the asset; and

(f) the expenditure attributable to the asset during its development can be measured reliably

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	3 - 5 Years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Accounting Policies

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial Liability	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures , initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any defference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset..

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short term recceivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probably that the receivable will enter bankrupsy and default of payment are all considered indicators of impairment:

Financial assets measured at amortised cost:

Accounting Policies

1.6 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such sinancial assets are written off, the write off is made against the relevant allowance account. Subsequest recoveries of amounts previously written off are credited against operating expenses.:

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.6 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Accounting Policies

1.7 Leases (continued)

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

the agregate benefit of incentives is recognised as a reduction of rental.expense over the lease term on a straight-line basis over the lease term

Any contigent rents are recognised separately as an expense in the period in which they are incurred,.

Accounting Policies

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and

1.9 Impairment of cash-generating assets (continued)

- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non cash generating asset is adjusted in future periods to allocate the non cash generating assets's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life..

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation / (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

1.11 Employee benefits (continued)

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.11 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

1.11 Employee benefits (continued)

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.11 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Accounting Policies

1.12 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.

Accounting Policies

1.12 Provisions and contingencies (continued)

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.13 Revenue from exchange transactions

Revenue comprise gross inflow of economic benefits or service , which represents an increase in net assets, other than increase relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

1.14 Revenue from non-exchange transactions (continued)

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

Collection charges and penalty interest is recognised when: (a)it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; (b) and the amount of the revenue can be measured reliably; and (c) to the extent that there has been compliance with the relevant legal requirements (if applicable).

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors..

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative Information

When the presentation or classification of items in the annual financial statement are amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable , and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Accounting Policies

1.19 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.:
Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and ;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Accounting Policies

1.22 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.24 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 25: Employee benefits	01 April 2013
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013
• GRAP 12 (as revised 2012): Inventories	01 April 2013
• GRAP 13 (as revised 2012): Leases	01 April 2013

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP32: Service Concession Arrangements: Grantor	Effective date not yet determined by minister of finance
• GRAP108: Statutory Receivables	Effective date not yet determined by minister of finance

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 18: Segment Reporting	Effective date not yet determined by minister of finance

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	668	1 772
Bank balances	129 701 303	127 393 373
	129 701 971	**127 395 145**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
ABSA Bank - 4050384145 - Primary cheque account	72 495 985	53 142 896	63 390 032	63 899 625
ABSA Bank - 4069702429 - Call account	66 137 372	63 489 211	66 137 372	63 489 211
ABSA Bank - 4076690079 - Salaries bank account	173 899	4 537	173 899	4 537
Total	**138 807 256**	**116 636 644**	**129 701 303**	**127 393 373**

4. Inventories

Consumable stores	763 222	378 374

4.1 Reconciliation of Inventory

Opening balance as per GL	378 374	507 095
Add: Receipts	1 614 053	1 713 551
Less: Issues	(1 229 205)	(1 842 272)
	763 222	**378 374**

5. Receivables from non - exchange transactions

Gross balances		
Rates	151 518 522	113 615 021
Traffic fines	129 750	-
	151 648 272	**113 615 021**
Less: Allowance for impairment		
Rates	(148 226 003)	(112 070 669)
Net balance		
Rates	3 292 519	1 544 352
Traffic fines	129 750	-
	3 422 269	**1 544 352**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Receivables from non - exchange transactions (continued)

Rates		
Current (0 -30 days)	861 752	1 278 412
31 - 60 days	867 601	265 940
61 - 90 days	837 687	-
91 - 120 days	725 479	-
	3 292 519	**1 544 352**

Traffic fines		
Current (0 -30 days)	61 200	-
61 - 90 days	6 600	-
91 - 120 days	5 000	-
121 - 365 days	56 950	-
	129 750	**-**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Receivables from non - exchange transactions (continued)

Summary of receivables from non-exchange transactions by customer classification

Industrial/ commercial		
Current (0 -30 days)	486 761	1 707 143
31 - 60 days	478 456	154 424
61 - 90 days	481 584	687 739
91 - 120 days	449 067	406 485
121 - 365 days	23 639 281	17 379 486
	25 535 149	20 335 277
Less: Allowance for impairment	(25 529 756)	(20 311 612)
	5 393	**23 665**

National and provincial government		
Current (0 -30 days)	2 997 786	5 863 150
31 - 60 days	3 022 089	2 322 663
61 - 90 days	2 936 183	2 425 977
91 - 120 days	4 649 841	2 190 376
121 - 365 days	111 767 749	80 487 578
	125 373 648	**93 289 744**

Total		
Current (0 -30 days)	3 545 747	2 896 346
31 - 60 days	3 500 545	1 951 447
61 - 90 days	3 424 367	2 859 649
91 - 120 days	5 103 909	2 219 987
121 - 365 days	136 073 704	103 687 592
	151 648 272	113 615 021
Less: Allowance for impairment	(148 226 003)	(112 070 669)
	3 422 269	**1 544 352**

Less: Allowance for impairment		
31 - 60 days	(7 172 435)	(6 281 880)
61 - 90 days	(3 031 089)	(2 872 818)
91 - 120 days	(3 007 430)	(2 595 659)
121 - 365 days	(135 015 049)	(100 320 312)
	(148 226 003)	**(112 070 669)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(112 070 669)	(66 085 081)
Debt impairment written off against allowance	(36 155 334)	(45 985 588)
	(148 226 003)	**(112 070 669)**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Receivables from non - exchange transactions (continued)

Receivables from non - exchange transactions impaired

As of 30 June 2014, Receivables from non - exchange transactions of R 148 226 003 (2013: R 112 070 668) were impaired and provided for.

6. Receivables from exchange transactions

Sundry Debtor: ANC	-	242 193
Other debtors	12 285	11 517
Accrued income (Interest on Investment)	590 319	352 391
	602 604	**606 101**

The amount for Other debtors is a debt raised against employees who lost their laptops.The amount will be fully recovered from the responsible officials

Sundry debtor for ANC is for the errorneous payment made in to ANC account and was refunded during the year under review.

7. VAT receivable

VAT	15 296 313	9 949 468

VAT is payable on invoice basis and claimed from SARS when a tax invoice is received.

Balance at beginning of year	9 949 468	18 216 151
Plus: Net refunds as per VAT receivable	16 898 345	11 603 209
Plus: VAT suspense - retention current	3 582 050	3 302 129
Less: Prior year suspense	(3 302 129)	(3 130 687)
Less: VAT payments by SARS - current year	(7 842 850)	(7 693 932)
Less: VAT payments by SARS - Prior year	(3 909 278)	(12 426 696)
Add VAT adjustment: current year	(79 293)	79 293
	15 296 313	**9 949 468**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

8. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 466 489	(1 457 884)	1 008 605	1 345 301	(958 651)	386 650

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	386 650	1 121 188	(499 233)	1 008 605

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	826 986	6 900	(447 236)	386 650

Other information

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality

No intangible assets were pledged as security for liabilities

9. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 171 500	-	1 171 500	1 171 500	-	1 171 500

Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	1 171 500	1 171 500

Reconciliation of investment property - 2013

9. Investment property (continued)

	Opening balance	Total
Investment property	1 171 500	1 171 500

Details of valuation

Investment properties was valued by Landdata Valuations (pty)LTD an independent professional valuer with registration number 1988/001677/07.The Municipal Valuer has experience of properties within the jurisdiction of Makhuduthamaga Local Municipality.The valuation was based on an open market value for existing use:

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. No revenue was earned from the investment property as the property is vacant land held for long term capital appreciation

No investment property was pledged as security for liabilities

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

10. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	200 000	-	200 000	200 000	-	200 000
Buildings	17 111 805	(4 604 402)	12 507 403	17 111 805	(3 919 930)	13 191 875
Furniture and fixtures	2 679 562	(1 337 729)	1 341 833	2 020 546	(1 034 224)	986 322
Motor vehicles	11 657 166	(4 790 354)	6 866 812	8 012 141	(4 004 797)	4 007 344
Office equipment	1 230 117	(819 191)	410 926	1 030 654	(635 087)	395 567
IT equipment	6 118 379	(1 915 288)	4 203 092	3 498 633	(1 344 841)	2 153 792
Infrastructure	108 771 863	(27 543 581)	81 228 282	108 771 863	(20 694 282)	88 077 581
Loose tools	1 399 324	(576 106)	823 218	799 274	(322 637)	476 637
Capital Work in Progress	95 852 364	-	95 852 364	39 162 990	-	39 162 990
Total	**245 020 580**	**(41 586 651)**	**203 433 930**	**180 607 906**	**(31 955 798)**	**148 652 108**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Accumulated Depreciation: Disposal	Depreciation	Total
Land	200 000	-	-	-	-	200 000
Buildings	13 191 875	-	-	-	(684 472)	12 507 403
Furniture and fixtures	986 322	669 309	(10 293)	10 293	(313 798)	1 341 833
Motor vehicles	4 007 344	4 208 153	(563 128)	514 620	(1 300 177)	6 866 812
Office equipment	395 567	199 463	-	-	(184 104)	410 926
IT equipment	2 153 792	2 932 873	(313 127)	300 843	(871 289)	4 203 092
Infrastructure	88 077 581	-	-	-	(6 849 299)	81 228 282
Loose tools	476 637	600 050	-	-	(253 469)	823 218
Capital Work in Progress	39 162 990	74 598 687	(17 909 313)	-	-	95 852 364
	148 652 108	**83 208 535**	**(18 795 861)**	**825 756**	**(10 456 608)**	**203 433 930**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Accumulated Depreciation: Disposal and WIP movement	Depreciation	Impairment loss	Total
Land	200 000	-	-	-	-	-	200 00
Buildings	13 876 347	-	-	-	(684 472)	-	13 191 87
Furniture and fixtures	1 066 541	176 793	-	-	(257 012)	-	986 32
Motor vehicles	4 195 225	608 294	-	-	(796 175)	-	4 007 34
Office equipment	531 542	33 200	-	-	(169 175)	-	395 56
IT equipment	1 334 619	1 347 976	(21 000)	4 137	(511 940)	-	2 153 79
Infrastructure	52 525 616	45 694 324	(2 725 853)	-	(6 046 522)	(1 369 984)	88 077 58
Loose tools	587 644	40 800	-	-	(151 807)	-	476 63
Capital work in Progress	48 116 016	46 393 791	(11 742 580)	(43 604 237)	-	-	39 162 99
	122 433 550	**94 295 178**	**(14 489 433)**	**(43 600 100)**	**(8 617 103)**	**(1 369 984)**	**148 652 10**

The municipality performed the residual value movement on vehicles and assesment of other movable assets. It was considered that the assets with zero book value will be sold in the following financial year, hence the assesment was not effected as those amounts are not significant

The municipality procured a smooth roller compactor on the 24th November 2011, the smooth roller compactor was reported to council for noting that it is missing. The case was opened and the investigations are underway.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

No property, plant and equipment were pledged as security for liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

11. Finance lease obligation

Present value of minimum lease payments due				
- within one year	-	-	-	80 649
	-	-	-	80 649
less: future finance charges	-	-	-	(2 366)
Present value of minimum lease payments	**-**	**-**	**-**	**78 283**

The average lease term was 2 years and the average effective borrowing rate was linked to the prime lending rate.

The finance lease agreement lapsed during the financial year under review and the new lease agreement entered in to is an operating lease.

12. Payables from exchange transactions

	2014	2013
Trade payables	16 062 457	13 112 526
Income received in advance	958 137	953 469
Creditor: Ward committee	13 201	13 201
Accruals	4 836 784	2 842 424
Unknown deposits	64 221	61 938
	21 934 800	**16 983 558**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2014	2013
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	4 859 699	21 083 805
DOE Grant (INEG)	2 931 711	3 208 431
Expanded Public Works Programme (Dep't of Public Works) Incentive Grant	785	1 531 065
	7 792 195	**25 823 301**

Movement during the year

	2014	2013
Balance at the beginning of the year	25 823 301	4 638 388
Additions during the year	-	25 215 301
Income recognition during the year	(18 031 106)	(4 030 388)
	7 792 195	**25 823 301**

The extent of government grants recognised in the statement of financial performance relates to the the portion of the grants where the conditions have been fulfilled.

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a liability in the statement of financial position.

See note 16 for reconciliation of conditional grants

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Employee benefit obligations

Post Employment Medical Aid Benefits liability

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(1 929 000)	(1 820 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	1 820 000	1 061 000
Current service costs	469 000	319 000
Interest cost	162 000	97 000
Actuarial (gains)/losses	(522 000)	343 000
	-	-
	1 929 000	**1 820 000**

Net expense recognised in the statement of financial performance

Current service cost	469 000	319 000
Interest cost	162 000	97 000
Actuarial (gains) losses	(522 000)	343 000
	109 000	**759 000**

Key assumptions used

Assumptions used at the reporting date:

Expected retirement age	63,00 %	60,00 %
Discount rates used	8,94 %	7,89 %
Consumer price inflation	7,05 %	6,14 %
Medical aid contribution inflation	8,05 %	7,14 %
Net effective discount rate	0,82 %	0,70 %

The discount rate was set as the yield of the R 209 South African government bond as at the valuation date. The actual yield on the R 209 bond was sourced from the RMB Global Markets website on the 30th of June 2014

The Medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate inflation. The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between current conventional government bond yeilds (R209) and current index-linked bond yields.

14. Employee benefit obligations (continued)

Other assumptions

A one percentage point change in the medical aid inflation assumption would have the following effect:

	-1% medical and aid inflation	**+1% medical aid inflation**
Effect on the current service cost	(17 000)	10 000
Effect on the interest cost	(13 000)	9 000
Effect on defined benefit obligation	(137 000)	95 000

Amounts for the current and previous four years are as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Defined benefit obligation	1 929 000	1 820 000	1 061 000	531 000	-

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Employee benefit obligations (continued)

Long service awards

Analysis of long service awards obligation

Present Value of unfunded obligation	1 130 000	1 432 000
Movements in the long service leave awards liability		
Opening balance	1 432 000	916 000
Current service cost	365 000	244 000
Interest cost	119 000	82 000
Actuarial loss/ (gain)	(786 000)	217000
	1 130 000	1 432 000
Expense and income recognition in surplus for the year.		
Current Service cost	365 000	244 000
Interest Cost	119 000	82 000
Actuarial loss/ (gain)	(786 000)	190 000
	(302 000)	543 000

Key assumptions used - Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Assumptions used at the reporting date:		
Expected retirement age	63	60 .
Discount rates used	7.96%	7.4%
Consumer Price inflation (CPI)	6.33%	5.66%.
Normal salary increase rate	7.33%	6.66%.
Net effectivediscount rate	0.59%	0.69%

The discount rate was set as the yield of the R208 South African government bond as at the valuation date. The actual yield on the R208 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

Notes to the Annual Financial Statements

14. Employee benefit obligations (continued)

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 government bonds was sourced from the RMB Global Markets website. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2014 of 6.79%. The next salary increase was assumed to take place on 01 July 2015.

Other assumptions.

A one percentage point change in the medical aid inflation assumption would have the following effect:

	-1% medical aid inflation	+1% medical aid inflation
Effect on the current service cost	-17 000	10 000
Effect on the interest cost	-13 000	9 000
Effect on defined benefit obligation	-137 000	95 000

Amounts for the current and previous years are as follows	2014	2013	2012	2011.
Long service awards	1 130 000	1 432 000	916 000	569 000

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

15. Revenue

Rental of facilities and equipment	75 369	25 757
Licenses and permits	4 038 872	3 790 680
Profit on sale of assets	341 641	-
Actuarial gain	1 308 000	-
Other income	577 000	926 845
Interest received	20 282 597	12 999 259
Property rates	43 986 731	27 660 306
Other taxation revenue 1	156 030	8 100
Government grants & subsidies	203 683 107	170 730 087
	274 449 347	**216 141 034**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental of facilities and equipment	75 369	25 757
Licenses and permits	4 038 872	3 790 680
Profit on sale of assets	341 641	-
Actuarial gain	1 308 000	-
Other income	577 000	926 845
Interest received	20 282 597	12 999 259
	26 623 479	**17 742 541**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	43 986 731	27 660 306
Traffic fines	156 030	8 100
Transfer revenue		
Government grants & subsidies	203 683 107	170 730 087
	247 825 868	**198 398 493**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

16. Government grants and subsidies

Equitable share	157 820 065	143 213 000
Municipal Infrastructure Grant (MIG)	41 539 106	24 382 583
Finance Management Grant (FMG)	1 550 000	1 500 000
Municipal Systems Grants (MSIG)	890 000	800 000
Department of Energy (INEG)	276 721	791 569
EPWP Grants	1 607 215	42 935
	203 683 107	**170 730 087**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	21 083 805	4 030 388
Current-year receipts	25 315 000	41 436 000
Conditions met - transferred to revenue (Current Year)	(25 315 000)	(24 382 583)
Conditions met - transferred to revenue (Previous Year)	(16 224 106)	-
	4 859 699	**21 083 805**

Conditions still to be met - remain liabilities (see note 13)

Financial Management Grant

Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 550 000)	(1 500 000)
	-	-

Municipal Systems Improvement Program Grant

Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(890 000)	(800 000)
	-	-

Conditions still to be met - remain liabilities (see note 13)

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	3 208 431	-
Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	(276 720)	(791 569)

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

16. Government grants and subsidies (continued)

	2 931 711	**3 208 431**

Conditions still to be met - remain liabilities (see note 13)

Expanded Public Works Programme Incentive Grant

Balance unspent at beginning of year	1 531 065	608 000
Current-year receipts	1 000 000	966 000
Conditions met - transferred to revenue	(1 607 215)	(42 935)
Grant paid back to National Treasury	(923 065)	-
	785	**1 531 065**

Conditions still to be met - remain liabilities (see note 13)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

17. Interest received

Interest revenue		
Bank and investments	7 827 305	4 061 630
Interest charged on trade and other receivables	12 455 292	8 937 629
	20 282 597	**12 999 259**

18. Other income

SETA	153 839	217 365
Tender Documents	423 161	709 480
	577 000	**926 845**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

19. Property rates

Rates received

Commercial and State	43 986 731	27 660 306

Valuations

Residential	232 390 000	232 390 000
Commercial	465 496 000	396 496 000
State	1 197 434 000	1 054 269 000
Municipal	19 100 000	19 100 000
Social	26 280 000	26 280 000
	1 940 700 000	**1 728 535 000**

Valuations on land and buildings are performed every 4 years. The first general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation was implemented on 01 July 2011.

20. Actuarial gain

Actuarial gain: Long service awards	786 000	-
Actuarial gain:Postemployment medical aid benefit	522 000	-
	1 308 000	**-**

21. Employee related costs

Basic	23 044 167	19 131 156
Bonus	1 710 477	1 169 021
Medical aid - company contributions	2 150 315	1 729 738
UIF	198 196	160 147
SDL	334 993	272 111
Leave pay provision charge	1 847 257	920 544
Pension contribution	4 689 973	3 543 501
Overtime payments	179 158	190 443
Post employment benefits costs.	834 000	1 096 000
Car allowance	5 903 200	4 880 539
Housing benefits and allowances	1 844 821	1 311 970
Clothing allowance	19 308	15 126
Cellphone allowance	982 882	827 853
	43 738 747	**35 248 149**

Remuneration of municipal manager (Mr Moropa M.E)

Appointment date: 01 June 2012	-	-
Basic salary	792 965	766 691
Cellphone allowance	12 797	23 772

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

21. Employee related costs (continued)

Contribution to medical aid	99 850	94 066
Over payment	(11 000)	-
Contributions to pension Fund	113 006	106 459
Contributions to UIF	1 785	1 689
SDL	10 365	9 909
Back pay: Increment	28 894	-
SALGBE	76	-
	1 048 738	**1 002 586**

Remuneration of chief financial officer (Mrs Diale D.S)

Appointment date: 01 October 2009	-	-
Basic Salary	503 697	492 077
Cellphone allowance	25 923	24 756
Car allowance	153 610	144 716
Travel claims	30 221	35 569
Contribution to UIF	1 785	1 689
SDL	9 077	8 485
Housing allowance	229 346	215 996
Back pay: Increment	25 872	-
SALGBE	76	-
	979 607	**923 288**

Director corporate services (Mr Matlala M.K)

Appointment date: 01 February 2013	-	-
Basic salary	488 539	199 233
Car Allowance	203 556	79 196
Cellphone allowance	31 136	12 069
Housing allowance	81 500	31 678
Contributions to UIF	1 785	744
SDL	7 868	3 063
Back pay: Increment	22 817	-
SALGBE	76	-
	837 277	**325 983**

Director Community Services (Mr Phiri M)

Appointment date: 01 March 2013	-	-
Basic salary	409 612	127 137
Car Allowance	268 670	84 189
Cellphone allowance	19 305	5 936
Contributions to medical fund	17 480	5 438
Housing allowance	35 702	11 144
Contributions to pension	76 908	23 927
Contributions to UIF	1 785	594
SDL	7 739	2 409

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

21. Employee related costs (continued)

Travel claim	11 385	-
SALGBE	76	-
	848 662	**260 774**

Acting Director Infrastructure Development (MrSenong P.S)

Appointment date: 01 July 2013	-	-
Basic salary	42 429	74 550
Car Allowance	17 311	30 532
Cellphone allowance	1 927	3 362
Contributions to medical aid	1 548	2 719
Housing allowance	3 248	5 706
Contributions to pension	6 810	11 964
Contribution to UIF	233	297
SDL	698	1 227
Travel claim	6 978	-
SALGBE	12	-
	81 194	**130 357**

22. Remuneration of councillors

Mayor	705 749	693 997
Council speaker	569 542	558 045
Mayoral committee members	3 809 506	3 682 198
Other councillors basic salary	6 553 831	6 381 948
Councilors pension contribution	1 156 642	881 313
Car allowance and cellphone allowance	3 584 610	3 332 780
Travel claims	73 934	47 773
Skills development levy	60 761	55 018
Data cards (61 councillors)	173 700	-
	16 688 275	**15 633 072**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

22. Remuneration of councillors (continued)

Remuneration of selected members of the council

Remuneration of the Mayor (Clr Matlala M.A)		
Basic salary	432 114	427 605
Car allowance	169 456	167 688
Cellphone allowance	20 868	19 886
Contributions to pension fund	76 255	75 460
Skills development levy & data card	7 056	3 358
	705 749	**693 997**

Remuneration of the Council Speaker (Clr Makaleng M)		
Basic salary	345 691	341 369
Car allowance	135 562	133 870
cellphone allowance	20 868	19 844
Contributions to pension fund	61 004	60 242
Skills development levy & data card	6 413	2 720
	569 538	**558 045**

Remuneration of the members of executive committee		
Basic salary	2 219 986	2 252 486
Car allowance	870 582	883 326
Cellphone allowance	208 680	130 938
Contributions to pension fund	391 762	397 500
Skills development levy	18 928	17 948
Travel claims and data card	99 568	-
	3 809 506	**3 682 198**

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

The municipality consists of 61 councilors.

23. Administration

Administration expense	731 481	545 834
Council logistics	218 036	195 210
Special programmes (Mayor)	1 176 057	1 048 816
LED strategy	117 198	-
Lums	66 107	14 389
Outreach programmes (mayor)	635 790	987 702
Risk management programmes	15 731	45 105
Ward committee incentives	3 094 000	3 091 724
	-	-
	6 054 400	**5 928 780**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Administration (continued)

There was no unauthorised expenditure in the current year. The municipality has introduced stringent measures to ensure that no spending will be allowed on votes that does not have or have fully utilized their budget

24. Depreciation and amortisation

Property, plant and equipment	10 456 607	8 617 101
Intangible assets	499 233	447 237
	10 955 840	**9 064 338**

25. Impairment of assets

Impairments		
Property, plant and equipment	-	1 369 986

26. Interest paid

Finance leases	2 366	13 224
Interest cost: Employee benefits	281 000	179 000
	283 366	**192 224**

27. Debt impairment

Current year doubtful debts allowance	148 226 003	112 070 669
Less: Previous doubtful debts	(112 070 669)	(66 085 081)
	36 155 334	**45 985 588**

28. Repairs and maintenance

Considering the national treasury circular number 54,55,56,59,66,67 the municipality has put repairs and maintenance as one of the priorities to preserve and maintain the municipality's current infrastructure. As a requirement the municipality has to spent at least 10 percent of its operational budget on repairs and maintenance and the municipality has in that regard utilised R 15 446 776 (2014) and R 13 988 037 (2013)

29. Contracted services

Solid collection	1 286 211	651 036
Development of valuation roll	96 651	107 042
Cleaning services and security services	11 654 301	10 986 139
	13 037 163	**11 744 217**

30. Grants and subsidies paid

Other subsidies		
Indigents grants (Free Basic Electricity)	4 408 636	3 900 452

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

31. General expenses

Advertising	591 464	851 433
Bank charges	145 536	182 476
Consulting and professional fees	2 922 793	907 673
Donations	-	5 120
Entertainment	24 555	103 768
Insurance	812 653	255 956
IT expenses	217 481	210 069
Lease rentals on operating lease	96 573	34 124
Marketing	638 825	182 940
Promotions and sponsorships	2 105 846	1 266 019
Motor vehicle expenses	13 784	2 372
Fuel and oil	1 311 036	1 249 001
Postage and courier	-	20 577
Printing and stationery	1 229 205	592 599
Protective clothing	19 846	25 936
Development of HR policies	-	211 871
Tourism guide	-	13 152
Testing station	58 569	-
Telephone and fax	707 706	818 161
Designs of land scarping	72 000	-
Training	3 371 435	4 270 018
Travel and accomodation	2 354 545	2 461 478
LED forum and summit	22 980	186 964
Spatial planning - demarcation of sites	404 604	75 931
Assets below R 2 500.00	1 378 986	1 215 723
Electricity	1 234 262	1 125 674
IDP processes	580 129	143 469
Feasibility studies - roads	614 330	-
Other administration expenses	-	78 368
Sitting allowance ex-officio	212 800	195 200
Publications	734 790	170 500
Audit committee support	284 513	154 285
Bursary fund	1 095 163	1 013 475
Legal costs and Development of by-laws	107 054	101 625
Customer care	629 970	250 231
Financial System support	405 534	520 068
Vehicle tracking	45 786	27 585
Stipent	88 600	28 800
Fencing of cemeteries	1 105 329	1 000 073
Disaster releif fund	1 004 895	666 700
Electricity: DOE	486 691	2 344 629
EPWP	1 606 399	42 935
	28 736 667	**23 006 978**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

32. Cash generated from operations

Surplus	78 667 862	33 754 974
Adjustments for:		
Depreciation and amortisation	10 955 840	9 064 338
Finance costs - Finance leases	2 366	13 224
Impairment deficit	-	1 369 986
Debt impairment	36 155 334	45 985 588
Loss on disposal of assets (Owned by RAL)	17 909 314	14 468 433
Profit on sale of Assets	(341 642)	-
Unfunded defined benefit plan	(193 000)	1 275 000
Changes in working capital:		
Inventories	(384 848)	128 721
Receivables from exchange transactions	15 783	(606 102)
Receivables from non exchange transaction.	(38 033 251)	(30 803 554)
Payables from exchange transactions	4 951 241	(6 557 867)
VAT	(5 346 845)	8 266 683
Unspent conditional grants and receipts	(18 031 106)	21 184 913
	86 327 048	**97 544 337**

33. Commitments

Authorised operating and capital expenditure

Operational expenditure		
• Approved and contracted	5 293 954	8 808 648
• Approved but not yet contracted	-	-
	5 293 954	**8 808 648**
Capital expenditure		
• Property, plant and equipment	79 995 440	52 203 080

The municipality still has future commitments to service providers for services still to be rendered. The minimum payments still due to the service providers as at 30 June 2014 amount to R79 995 440.00 for capital commitments and R5 293 953.78 for Operational commitments.

34. Contingencies

There are no litigations in process against the municipality for the year under review other than the possible liability for interests charged by AGSA to the amount of R 1 671.04 for overdue account which the municipality disputed it due to the fact that it was paid on time

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

35. Related parties

Relationships

Councillors and members of key management — Refer to General Information page for detail on councillors and key management.

Remuneration of senior management, and councillors is disclosed in note 21 and note 22 respectively. Below is the remuniration of councilors per councilor.

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational dicisions.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management.

There are no share based payments..

Related party transactions

Remuniration per councilor (2014)	Salary	Cellphone allowance	Car allowance	Total Package
Cllr MAtlala M.A (Mayor)	432 114	24 468	169 457	705 749
Clr Malaka M.S (Chief whip)	324 086	24 468	127 092	535 490
Cllr Makaleng M.M (Speaker)	345 691	24 468	135 565	569 542
Cllr Masemola H.R	324 086	24 468	130 333	538 731
Cllr Mampane M.A	324 086	24 468	127 093	535 390
Cllr Mphelane M.J	129 634	24 468	50 837	229 022
Cllr Lerobane M.P	178 247	24 468	77 449	313 187
Cllr Matjomane N.M	178 247	24 468	89 534	325 272
Cllr Mndebele M.E	178 247	24 468	69 900	305 638
Cllr Maisela R.K	178 247	24 468	69 900	305 638
Cllr Tala M.A	178 247	24 468	69 900	305 638
Cllr Madiba M.F	178 247	24 468	69 900	305 638
Cllr Maapea R.S	129 634	24 468	50 837	229 022
Cllr Sefoka N.M	129 634	24 468	50 837	229 022
Cllr Maphanga T.D	129 634	24 468	50 837	229 022
Cllr Mosehla M.L	129 634	24 468	50 837	229 022
Cllr Leshalabe M.M	129 634	24 468	51 597	205 699
Cllr Mohlala M.J	129 634	24 468	50 837	229 022
Cllr Mabitla L.P	129 634	24 468	50 837	229 022
Cllr Thokwane K.Z	129 634	24 468	55 493	209 595
Cllr Mohloba S.J	129 634	24 468	50 837	229 022
Cllr Mashilo M.M	129 634	24 468	50 837	229 022
Cllr Seopela M.J	129 634	24 468	52 310	206 412
Cllr Nkadimeng S.p	129 634	24 468	50 837	229 022
Cllr Selala M.J	129 634	24 468	61 673	215 775
Cllr Mabatane M.C	129 634	24 468	50 837	229 022
Cllr Manchidi M.J	129 634	24 468	54 621	208 723

Notes to the Annual Financial Statements

Figures in Rand			2014	2013

35. Related parties (continued)

Cllr Lethuba M.P	166 364	24 468	82 492	305 638
Cllr Mahlase M.M	166 364	24 468	73 597	264 429
Cllr Monakedi M.J	129 634	24 468	50 837	229 022
Cllr Maserumule M.O	178 247	24 468	103 044	305 759
Cllr Mohlala M.G	129 634	24 468	50 837	229 022
Cllr Madingwana R	129 634	24 468	50 837	229 022
Cllr Thokoane M.J	129 634	24 468	50 837	229 022
Cllr Boshielo M.L	129 634	24 468	50 837	229 022
Cllr Motseni N.L	166 364	24 468	65 241	256 073
Cllr Boshielo T.J	129 634	24 468	50 837	229 022
Clr Malaka M.J	129 634	24 468	52 229	229 022
Cllr Chego K.D	166 364	24 468	65 241	256 073
Cllr Rankoe T.P	166 364	24 468	66 038	305 638
Cllr MAnkge N.H	129 634	24 468	50 837	229 022
Cllr Tshehla N.B	129 634	24 468	50 837	229 022
Cllr Manaleng M.J	129 634	24 468	50 837	229 022
Cllr Ntobeng M.M	166 364	24 468	79 166	269 998
Cllr Nkadimeng S.M	129 634	24 468	50 837	229 022
Cllr Makgoga N.H	129 634	24 468	50 837	229 022
Cllr Maleka B.P	129 634	24 468	57 439	211 541
Cllr Maitula B.M	129 634	24 468	50 837	229 022
Cllr Mashianoke M.F	129 634	24 468	52 111	229 022
Cllr Maabane D.K	129 634	24 468	50 837	229 022
Cllr Machaba M.G	129 634	24 468	50 837	229 022
Cllr Masemola J	129 634	24 468	50 837	229 022
Cllr Tladi M.R	129 634	24 468	50 837	229 022
Cllr Mamogobo T.P	129 634	24 468	50 837	229 022
Cllr Marutla P.J	129 634	24 468	50 837	229 022
Cllr Diketane S.P	129 634	24 468	52 227	206 329
Cllr Diale K.E	129 634	24 468	50 837	229 022
Cllr Manchidi M	86 904	20 336	34 079	229 022
Cllr Phogole M.I	129 634	24 468	50 837	229 022
Cllr Nkadimeng M.E	32 409	12 709	6 117	229 022
Travel claims	-	-	-	498 910
	9 300 649	**1 452 189**	**3 776 785**	**16 688 275**

Remuneration per councilor (2013).	Salary	Cellphone allowance	Car allowance	Total package
Cllr MA Matlala (Mayor)	427 307.99	20 243.88	167 571.73	693 996.96
Cllr MS Malaka (Chief Whip)	320 480.89	20 660.05	125678.76	563 821.47
Cllr MM Makaleng (Speaker)	340 915.04	20 472.00	133 693.02	558 044.98
Cllr HR Malaka	320 480.89	21 507.34	129 812.82	531 019.3
Cllr MA Mampane	320 480.89	20 995.76	125 678.76	526368.55
Cllr MJ Mphelane	128 192.69	12 396.00	50 271.48	214 581.19

Notes to the Annual Financial Statements

Figures in Rand			2014	2013

35. Related parties (continued)

Cllr MP Lerobane	176 264.3	12 396.00	69 123.24	290 353.43
Cllr NM Matjomane	176 264.3	13 594.65	15 082.62	303 624.08
Cllr ME Mndebele	176 264.3	12 396.00	69 123.24	290 353.43
Cllr RK Maisela	176 264.3	12 396.00	69 123.24	290 353.43
Cllr MA Tala	176 264.3	6 522.00	69 123.24	284 420.69
Cllr MF Madiba	176 264.3	12 396.00	69 123.24	290 353.43
Cllr RS Maapea	128 192.33	12 396.00	50 271.48	217 834.63
Cllr NM Sefoka	128 192.33	12 396.00	50 271.48	214 580.83
Cllr TD Maphanga	128 192.33	12 396.00	50 271.48	214 580.83
Cllr ML Mosehla	128 192.33	13 101.9	50 271.48	215 293.79
Cllr MM Leshalabe	128 192.33	12 396.00	50 271.48	216 480.83
Cllr MJ Mohlala	142 216.49	6 198.00	55 771.15	230 493.26
Cllr LP Mabitla	128 192.33	12 396.00	50 271.48	214 580.83
Cllr KZ Thokwanen	128 192.33	12 396.00	52 565.48	216 874.83
Cllr SJ Mohloba	128 192.33	12 396.00	50 271.48	214 580.83
Cllr TJ Mapitsing	128 192.33	12 396.00	50 271.48	217 360.71
Cllr MM Mashilo	128 192.33	12 396.00	50 271.48	214 580.83
Cllr MJ Seopela	128 192.33	12 396.00	50 271.48	214 580.83
Cllr SP Nkadimeng	128 192.33	12 396.00	50 271.48	215 279.25
Cllr MJ Selala	128 192.33	12 396.00	50 271.48	213 595.45
Cllr MC Mabatane	128 192.33	12 396.00	50 271.48	224 695.41
Cllr MJ Manchidi	128 192.33	13 135.3	59 596.2	224 652.25
Cllr MP Lethuba	164 513.87	12 396.00	67 856.76	275 256.46
Cllr MM Mahlase	150 489.7	12 396.00	60 421.99	251 164.09
Cllr MJ Monakedi	128 192.33	12 396.00	50271.48	224 695.41
Cllr MO Nchabeleng	176 264.3	12 396.00	90 300.24	311 530.43
Cllr MG Mohlala	128 192.33	12 396.00	50 271.48	214 580.83

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

35. Related parties (continued)

Cllr R Madingwana	128 192.33	6 522.00	50 271.48	208 647.87
Cllr MJ Thokoane	128 192.33	12 396.00	51 921.48	216 230.83
Cllr ML Boshielo	128 192.33	12 396.00	50 271.48	224 695.41
Cllr NL Moteni	164 513.87	12 396.00	64 515.24	271 914.94
Cllr TJ Boshielo	128 192.33	13 101.9	50 271.48	215 293.79
Cllr MJ Malaka	128 192.33	13 120.00	57 061.73	222 102.32
Cllr KD Chego	150 489.7	12 396.00	59 015.58	249 757.68
Cllr TP Rankoe	164 513.9	13 101.9	64 515.24	272 518.2
Cllr NH Mankge	128 192.33	12 396.00	50 271.48	214 580.83
Cllr NB Tshehla	128 192.33	13 087.5	50 271.48	215 279.25
Cllr MJ Manaleng	128 192.33	12 396.00	50 271.48	214 580.83
Cllr MM Ntobeng	164 513.87	12 396.00	64 515.24	271 914.94
Cllr SM Nkadimeng	128 192.33	12 396.00	50 271.48	214 580.83
Cllr NH Makgoga	128 192.33	12 396.00	50 271.48	224 695.41
Cllr BP Maleka	128 192.33	12 396.00	51 784.68	216 094.78
Cllr BM Maitula	128 192.33	12 396.00	50 271.48	224 711.44
Cllr MF Mashianoke	128 192.33	12 396.00	50 271.48	224 695.41
Cllr M Manchid	128 192.33	12 396.00	50 271.48	224 725.41
Cllr DK Maabane	128 192.33	13 101.00	50 271.48	215 293.79
Cllr MG Machaba	128 192.33	12 396.00	50 271.48	214 580.83
Cllr CF Makweng	128 192.33	12 396.00	50 271.48	214 760.85
Cllr MI Phogole	74 778.88	7 231.00	29 325.03	126 578.94
Cllr J Masemola	74 778.88	7 231.00	29 325.03	126 324.21
Cllr MR Tladi	74 778.88	7 231.00	29 325.03	125 160.54
Cllr TP Mamogobo	128 192.33	12 396.00	50 271.48	224741.44
Cllr PJ Marutla	128 192.33	12 396.00	50 271.48	224 741.44
Cllr SP Diketane	128 192.33	12 396.00	50 271.48	224 725.41

35. Related parties (continued)

Cllr KE Dieale	128 192.33	12 396.00	50 271.48	214 580.83
Total	928 8605.07	770 790.18	3 640 180.33	15 633 072

N.B The total package disclosed above include company contributions.

36. Prior period errors

1. Depreciation for Office equipment to the amount of R843.00 was errorneously captured in the prior year and was retrospectively adjusted

2. A disposal for IT Equipment with the cost of R 21 000.00 and accumulated depreciation of R 4 137.00 was not accounted for in the prior year and was retrospectively adjusted

3. The amount of R 2 804.00 for prime coat was errorneously reversed twice in the prior year 2013 and was retrospectively adjusted.

4. Accruals to the amount of R1 318 603.84 was errorneously recognised in the prior year 2013, and was retrospectively adjusted.

5.Box container(mobile office) to the value of R 85 200.00 was errorneously recognized as furniture and fitting and was retrospectively adjusted.

5.Due to the incorrect classification of the box container reported above, Depreciation for Furniture and fitting was errorneously calculated as follows, R 12 171.44 (2014), R 12 171.44 (2013), R 34 680.25 (2012) and was retrospectively adjusted.

5.Due to the incorrect classification of the box container reported above, Depreciation for Building was retrospectively adjusted as follows, R 3 408.00 (2014), R 3 408.00 (2013), R 9 710.475 (2012).

6. Interests on investment to the value of R 352 390.93 for June 2013 was errorneously recognized in a wrong period and was retrospectively adjusted.

5. During the financial year, RAL issued a gazzete which declared certain raods and bridges that were in the municipality's assets register to the value of R59 193 680.61 (cost) and accumulated depreciation of R 8 740 906.39 belong to RAL and PPE has in this regard been retrospectively adjusted.

6. Provision for doubtful debts to the amount of R 30 937 189.90 (2014), R 37 325 367.85 (2013), R 28 169 796.22 (2012) and R 26 263 892.78 (2011) was not accounted for and has been retrospectively corrected

The correction of the errors results in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	-	-	(50 465 990)
Accumulated surplus or deficits	-	-	30 937 190	36 006 764
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
VAT receivable	-	-	-	-
Consumer Debtors	-	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

36. Prior period errors (continued)

Statement of financial performance

Depreciation and amortisation	-	-	(8 763)	(8 763)
General expenses	-	-	-	(1 318 604)
Debt Impairment	-	-	30 937 190	37 325 368

37. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2014	2013
Receivables from non exchange transactions	126 118 516	93 303 409
Cash and cash equivalents	129 701 971	127 395 145
	-	-
Maximum credit risk exposure	255 820 487	220 720 071

38. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as going concern is dependent on funding from the national treasury

39. Fruitless and wasteful expenditure

Additions during the year	2 340	11 517
Less: Amounts condoned	-	-
	-	(11 517)
	2 340	**-**

The municipality had fruitless and wasteful expenditure for interest charged on overdue electricity and telephone account the year under review and it was reffered to MPAC for investigation to determine the corrective measures to recover the applicable amount from the responsible officials.

Figures in Rand	2014	2013

40. Unauthorised expenditure

Unauthorised expenditure for current year.	4 294 142	-

The municipality incured loss on disposal of assets for 2014 financial year to the value of R 17 909 314.00 due to write off of assets declared owning by RAL which was in the municipality's asset register. The regulation was issued after adjustment budget were finalised and therefore this non cash expenditure was not budgeted for and contributed to the unauthorised expenditure of R4 294 142.00.

The municipality incured an impairment of receivables for the 2014 financial year, to the value of R 36 155 334.00 due non paying government departments. This non cash expenditure was not budgeted for as no provision was made for doubtful debts on all government debts as they were not considered a high risk. The provision was recognised only at year end and also contributed to the unauthorised expenditure of R 4 294 142.00.

A budget virement was made from other operational expenditure that was not utilised during 2014 financial year to cover the unbudgeted non cash expenditure as discribed above and only an amount of R4 294 142.00 exceeded the approved operational budget.

41. Irregular expenditure

Opening balance	14 581 232	-
Add: Irregular Expenditure - current year	5 401	14 581 232
Amount to be condoned by National Treasury	**14 586 633**	**14 581 232**

Details of irregular expenditure for current year

	Incident	
Non compliance with Supply chain policy	During the year, a firm of lawyers was appointed without obtaining the required number of quotations.	5 401

Figures in Rand	2014	2013

42. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	78 667 862	33 754 974
Adjusted for:		
Property rates	11 608 272	(390 666)
Investment revenue	859 749	(274 727)
Transfers recognised	30 919 128	25 215 301
Other own revenue	723 000	3 620 508
Employee costs	(3 480 534)	(1 747 980)
Remuneration of councillors	(182 205)	(242 194)
Depreciation & impairments	28 081 447	36 049 741
Profit on sale of assets	(341 641)	-
Actuarial gain	(1 308 000)	-
Other expenditure	(48 457 864)	1 678 048
Net surplus per approved budget	**97 089 214**	**97 663 005**

43. Additional disclosure in terms of Municipal Finance Management Act

Auditor's remuneration

Amount paid - current year	2 366 967	-
Amount paid - previous years	-	1 855 428
	2 366 967	**1 855 428**

PAYE and UIF

Current year subscription / fee	8 174 453	6 834 562
Amount paid - current year	(8 174 453)	(6 834 562)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	6 840 288	5 273 239
Amount paid - current year	(6 840 288)	(5 273 239)
	-	-

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Deviations occurred in the current year in respect of procurements of over R 2 000 for which it is required, in terms of the Treasury Regulations, that the municipalty obtain quotations from at least three prospective suppliers that are registered on the list of prospective suppliers prior to selecting sources of procurement.

Incident		
Single source	538 629	-

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Deviation as per section 36(1)(A)(V)	1 324 356	1 328 089
Diviation as per section 36 (1) (a) (i)	149 380	-
	2 012 365	**1 328 089**

44. Explanation of Variances on appropriation statement

Financial performance

Property rates haas a variance of 36% as Rural development agreed to be billed the property rates from 2009 in the current financial year

Interest on investment has a variance of 13% as the municipality invested funds for longer period than expected due to low spending on infrastructure projects

Other own revenue which include interest charged on outstanding debtors has a variance of 13% due to long outstanding accounts which increased the interests charged for the year.

Employee related costs have a variance of 7% as a result of unfilled vacant positions.

Transfers and grants have a variance of 11% as free basic electricity demand was lower than expected.

Other expenditure has a variance of 36% as some administration programmes were delayed for implementation to avoid cash flow problems due to National Treasury's withdrawal of MIG funding during the year

Statement of financial position

Capital expenditure has a variance of 44% due to under-pricing by contractors which affects their performance and the fact that cession is not allowed which disadvantage the contractors who does not have financial capacity to complete the projects.

Cash flow statement

Net cash from operating activities have a variance of 27% due to non payment of accounts by debtors mostly the government departments.

Net cash from investing has a variance of 45% due to low spending on capital infrastructure as a result of underperformance caused by reasons expplained under statement of financial position above.

Cash and cash equivalents at year end has a variance of 37% due to low spending in capital projects and the administration programmes which were delayed for implementation due to the reasons explained above.

Makhuduthamaga Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	200 000	-	-	-	-	-	**200 000**	-	-	-	-	-	**-**	200 000
Buildings (Separate for AFS purposes)	17 111 805	-	-	-	-	-	**17 111 805**	(3 919 930)	-	-	(684 472)	-	**(4 604 402)**	12 507 403
	17 311 805	**-**	**-**	**-**	**-**	**-**	**17 311 805**	**(3 919 930)**	**-**	**-**	**(684 472)**	**-**	**(4 604 402)**	**12 707 403**
Infrastructure														
Roads, Pavements & Bridges	143 283 437	74 598 687	(17 909 313)	-	-	-	**199 972 811**	(19 520 838)	-	-	(6 539 205)	-	**(26 060 043)**	173 912 768
Street lighting	4 651 416	-	-	-	-	-	**4 651 416**	(1 173 444)	-	-	(310 094)	-	**(1 483 538)**	3 167 878
	147 934 853	**74 598 687**	**(17 909 313)**	**-**	**-**	**-**	**204 624 227**	**(20 694 282)**	**-**	**-**	**(6 849 299)**	**-**	**(27 543 581)**	**177 080 646**
Community Assets														

Makhuduthamaga Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	8 012 141	4 208 153	(563 128)	-	-	-	11 657 166	(4 004 796)	514 619	-	(1 300 177)	-	(4 790 354)	6 866 812
Computer Equipment	3 498 634	2 932 873	(313 127)	-	-	-	6 118 380	(1 344 841)	300 842	-	(871 290)	-	(1 915 289)	4 203 091
Furniture & Fittings	2 020 546	669 309	(10 293)	-	-	-	2 679 562	(1 034 224)	10 293	-	(313 798)	-	(1 337 729)	1 341 833
Office Equipment	1 030 654	199 464	-	-	-	-	1 230 118	(635 087)	-	-	(184 104)	-	(819 191)	410 927
Other	799 274	600 050	-	-	-	-	1 399 324	(322 637)	-	-	(253 469)	-	(576 106)	823 218
	15 361 249	8 609 849	(886 548)	-	-	-	23 084 550	(7 341 585)	825 754	-	(2 922 838)	-	(9 438 669)	13 645 881
Total property plant and equipment														
Land and buildings	17 311 805	-	-	-	-	-	17 311 805	(3 919 930)	-	-	(684 472)	-	(4 604 402)	12 707 403
Infrastructure	147 934 853	74 598 687	(17 909 313)	-	-	-	204 624 227	(20 694 282)	-	-	(6 849 299)	-	(27 543 581)	177 080 646
Other assets	15 361 249	8 609 849	(886 548)	-	-	-	23 084 550	(7 341 585)	825 754	-	(2 922 838)	-	(9 438 669)	13 645 881
	180 607 907	83 208 536	(18 795 861)	-	-	-	245 020 582	(31 955 797)	825 754	-	(10 456 609)	-	(41 586 652)	203 433 930
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	1 345 301	1 121 188	-	-	-	-	2 466 489	(958 651)	-	-	(499 233)	-	(1 457 884)	1 008 605
	1 345 301	1 121 188	-	-	-	-	2 466 489	(958 651)	-	-	(499 233)	-	(1 457 884)	1 008 605
Investment properties														
Investment property	1 171 500	-	-	-	-	-	1 171 500	-	-	-	-	-	-	1 171 500
	1 171 500	-	-	-	-	-	1 171 500	-	-	-	-	-	-	1 171 500
Total														
Land and buildings	17 311 805	-	-	-	-	-	17 311 805	(3 919 930)	-	-	(684 472)	-	(4 604 402)	12 707 403
Infrastructure	147 934 853	74 598 687	(17 909 313)	-	-	-	204 624 227	(20 694 282)	-	-	(6 849 299)	-	(27 543 581)	177 080 646
Other assets	15 361 249	8 609 849	(886 548)	-	-	-	23 084 550	(7 341 585)	825 754	-	(2 922 838)	-	(9 438 669)	13 645 881
Intangible assets	1 345 301	1 121 188	-	-	-	-	2 466 489	(958 651)	-	-	(499 233)	-	(1 457 884)	1 008 605
Investment properties	1 171 500	-	-	-	-	-	1 171 500	-	-	-	-	-	-	1 171 500
	183 124 708	84 329 724	(18 795 861)	-	-	-	248 658 571	(32 914 448)	825 754	-	(10 955 842)	-	(43 044 536)	205 614 035

Makhuduthamaga Local Municipality
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Budget & Treasury & Corporate services	15 361 249	8 609 849	(886 548)	-	-	-	**23 084 550**	(7 341 585)	825 754	-	(2 922 838)	-	**(9 438 669)**	13 645 881
Housing	17 311 805	-	-	-	-	-	**17 311 805**	(3 919 930)	-	-	(684 472)	-	**(4 604 402)**	12 707 403
Road Transport/Roads	143 283 437	74 598 687	(17 909 313)	-	-	-	**199 972 811**	(19 520 838)	-	-	(6 539 205)	-	**(26 060 043)**	173 912 768
Electricity /Electricity Distribution	4 651 416	-	-	-	-	-	**4 651 416**	(1 173 444)	-	-	(310 094)	-	**(1 483 538)**	3 167 878
	180 607 907	**83 208 536**	**(18 795 861)**	**-**	**-**	**-**	**245 020 582**	**(31 955 797)**	**825 754**	**-**	**(10 456 609)**	**-**	**(41 586 652)**	**203 433 930**
Municipal Owned Entities														
Total														
Municipality	180 607 907	83 208 536	(18 795 861)	-	-	-	**245 020 582**	(31 955 797)	825 754	-	(10 456 609)	-	**(41 586 652)**	203 433 930
	180 607 907	**83 208 536**	**(18 795 861)**	**-**	**-**	**-**	**245 020 582**	**(31 955 797)**	**825 754**	**-**	**(10 456 609)**	**-**	**(41 586 652)**	**203 433 930**

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

	Forecast # 1 2014 Act. Bal. Rand	Forecast # 1 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	43 986 731	32 378 459	11 608 272	35,9	Rural development agreed to be billed the property rates from 2009 in the current financial year.
Rental of facilities and equipment	75 369	60 000	15 369	25,6	
Interest received (trading)	12 455 292	10 361 493	2 093 799	20,2	Long outstanding accounts result in an increase in inrerests charged.
Licences and permits/Traffic fines	156 030	50 000	106 030	212,1	The municipality did not have the necessaru equipments for the law enforcement division
Administration and management fees received	4 038 872	5 059 411	(1 020 539)	(20,2)	Budget expectations were not met as fewer customers used the municipality's services for licences and permits of vehicles.
Other income, Actuarial gain and Profit on sale of assets	2 226 641	1 300 000	926 641	71,3	Tender document sales was lower than expected. The municipality have an actuarial gain and profit on sale of assets which were not budgeted for.
Government grants	203 683 107	234 602 236	(30 919 129)	(13,2)	
Interest received - investment	7 827 305	6 729 627	1 097 678	16,3	The municipality invested funds for longer period than expected due to low spending on infrastructure projects.
	274 449 347	290 541 226	(16 091 879)	(5,5)	
Expenses					
Personnel	(43 738 747)	(47 219 281)	3 480 534	(7,4)	Unfilled vacant positions.
Remuneration of councillors	(16 688 275)	(16 870 480)	182 205	(1,1)	N/A
Administration	(6 054 400)	(8 383 783)	2 329 383	(27,8)	Some administration programmes were delayed for implementation to avoid cash flow problems due to National treasury's withdrawal of MIG funding during the year.
Transfer payments	(136 977)	(50 000)	(86 977)	174,0	
Depreciation	(10 955 840)	(13 732 000)	2 776 160	(20,2)	N/A
Impairment	(36 155 334)	(5 218 188)	(30 937 146)	592,9	N/A
Amortisation	-	-	-	-	
Finance costs	(121 366)	(121 366)	-	-	N/A
Repairs and maintenance - General	(15 446 776)	(19 853 224)	4 406 448	(22,2)	The budget was VAT inclusive in stead of excluding VAT.
Contracted Services	(1 782 053)	(4 364 556)	2 582 503	(59,2)	Very low spending on waste management programmes
Grants and subsidies paid	(4 408 636)	(4 890 000)	481 364	(9,8)	Free electricity demand was lower than expected.
General Expenses	(60 293 081)	(70 784 465)	10 491 384	(14,8)	Some administration programmes were delayed for implementation to avoid cash flow problems due to National treasury's withdrawal of MIG funding during the year.
	(195 781 485)	(191 487 343)	(4 294 142)	2,2	
Other revenue and costs					
Net surplus/ (deficit) for the year	78 667 862	99 053 883	(20 386 021)	(20,6)	

Makhuduthamaga Local Municipality
Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2014

	Actuals Rand	Original Budget Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality						
Finance & Admin/Finance	9 635 037	8 490 521	11 616 485	1 981 448	**17**	Grader and skip loader acquired in June 2014 and was not yet delivered by year end.
Planning and Development/Economic Development/Plan	-	950 400	950 400	950 400	**100**	Lack of land to build the Market stalls budgeted for.
Comm. & Social/Libraries and archives	-	3 880 000	3 880 000	3 880 000	**100**	Lack of land for development budgeted for.
Road Transport/Roads	74 694 686	134 398 980	135 005 842	60 311 156	**45**	Underpricing by contractors which affects their performance and the fact that cession is not allowed which disadvantage the contractors who does not have financial capacity to complete the project.
	84 329 723	**147 719 901**	**151 452 727**	**67 123 004**	**44**	

Municipal Owned Entities
Other charges

Makhuduthamaga Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure			
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
MIG	National Treasury	25 315 000	-	-	-	1 672 318	4 214 956	10 801 015	8 626 711
MSIG	National Treasury	890 000	-	-	-	150 000	440 000	150 000	150 000
FMG	National Treasury	1 550 000	-	-	-	604 917	395 166	316 639	233 278
MIG Roll Over	National Treasury	-	-	-	-	5 299 054	4 418 692	3 700 822	891 761
EPWPG	Public Works	400 000	-	600 000	-	-	73 454	566 114	967 647
		28 155 000	**-**	**600 000**	**-**	**7 726 289**	**9 542 268**	**15 534 590**	**10 869 397**

The allocations for conditional grants were spent per vote as follows.
MIG allocation to the amount of R 25 315 000 utilised for infrastructure assets in infrastructure development vote.
MSIG allocation to the amount of R 890 000.00 utilised for municipal systems improvements in Budget and Treasury office.
FMG allocation to the amount of R 1550 000.00 was utilised in Budget and Treasury office for financial management capacity building.
EPWP grant to the amount of R 1 000 000.00 was utilised in Infrastructure Development vote, Economic Development and Community Services. An additional R607 215 from previous year was utilised in the same mentioned votes.

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

	2013/2014											2012/2013			
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Revenue - Standard															
Governance and administration	**268 641 461**	**21 899 766**	**290 541 227**	**-**		**290 541 227**	**274 449 347**		**(16 091 880)**	**94 %**	**102 %**				**216 141 034**
Executive and council	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Budget and treasury office	268 641 461	21 899 766	290 541 227	-		290 541 227	274 449 347		(16 091 880)	94 %	102 %				216 141 034
Corporate services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Community and social services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Planning and development	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Electricity	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	**268 641 461**	**21 899 766**	**290 541 227**	**-**		**290 541 227**	**274 449 347**		**(16 091 880)**	**94 %**	**102 %**				**216 141 034**

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

	2013/2014														2012/2013
	Original Budget	**Budget Adjustments (i.t.o. s28 and s31 of the MFMA)**	**Final adjustments budget**	**Shifting of funds (i.t.o. s31 of the MFMA)**	**Virement (i.t.o. Council approved policy)**	**Final Budget**	**Actual Outcome**	**Unauthorised expenditure**	**Variance of Actual Outcome against Adjustments Budget**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**	**Reported unauthorised expenditure**	**Expenditure authorised in terms of section 32 of MFMA**	**Balance to be recovered**	**Restated Audited Outcome**
	Rand	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**
Expenditure - Standard															
Governance and administration	**127 587 934**	**(5 091 446)**	**122 496 488**	**-**	**-**	**122 496 488**	**151 304 781**	**-**	**28 808 293**	**124 %**	**119 %**	**-**	**-**	**-**	**147 744 318**
Executive and council	35 439 298	189 508	35 628 806	-	-	35 628 806	32 416 258	-	(3 212 548)	91 %	91 %	-	-	-	29 698 627
Budget and treasury office	75 646 077	(4 778 016)	70 868 061	-	-	70 868 061	102 897 649	-	32 029 588	145 %	136 %	-	-	-	102 405 714
Corporate services	16 502 559	(502 938)	15 999 621	-	-	15 999 621	15 990 874	-	(8 747)	100 %	97 %	-	-	-	15 639 977
Community and public safety	**16 182 290**	**(1 693 303)**	**14 488 987**	**-**	**-**	**14 488 987**	**12 062 354**	**-**	**(2 426 633)**	**83 %**	**75 %**	**-**	**-**	**-**	**9 267 436**
Community and social services	4 544 407	(455 408)	4 088 999	-	-	4 088 999	4 204 946	-	115 947	103 %	93 %	-	-	-	2 461 468
Sport and recreation	1 300 000	-	1 300 000	-	-	1 300 000	368 198	-	(931 802)	28 %	28 %	-	-	-	1 185 695
Public safety	10 032 283	(1 211 863)	8 820 420	-	-	8 820 420	7 471 434	-	(1 348 986)	85 %	74 %	-	-	-	5 590 273
Housing	305 600	(26 032)	279 568	-	-	279 568	17 776	-	(261 792)	6 %	6 %	-	-	-	30 000
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	**38 581 082**	**2 348 831**	**40 929 913**	**-**	**-**	**40 929 913**	**25 404 534**	**-**	**(15 525 379)**	**62 %**	**66 %**	**-**	**-**	**-**	**18 118 034**
Planning and development	13 954 927	314 860	14 269 787	-	-	14 269 787	7 332 587	-	(6 937 200)	51 %	53 %	-	-	-	5 024 705
Road transport	24 626 155	2 033 971	26 660 126	-	-	26 660 126	18 071 947	-	(8 588 179)	68 %	73 %	-	-	-	13 093 329
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	**15 846 879**	**(2 274 923)**	**13 571 956**	**-**	**-**	**13 571 956**	**7 009 816**	**-**	**(6 562 140)**	**52 %**	**44 %**	**-**	**-**	**-**	**7 256 272**
Electricity	9 869 997	(2 007 400)	7 862 597	-	-	7 862 597	4 273 938	-	(3 588 659)	54 %	43 %	-	-	-	5 278 639
Water	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	5 976 882	(267 523)	5 709 359	-	-	5 709 359	2 735 878	-	(2 973 481)	48 %	46 %	-	-	-	1 977 633
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	**198 198 185**	**(6 710 841)**	**191 487 344**	**-**	**-**	**191 487 344**	**195 781 485**	**-**	**4 294 141**	**102 %**	**99 %**	**-**	**-**	**-**	**182 386 060**
Surplus/(Deficit) for the year	**70 443 276**	**28 610 607**	**99 053 883**	**-**		**99 053 883**	**78 667 862**		**(20 386 021)**	**79 %**	**112 %**				**33 754 974**

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2014

	2014/2013													2013/2012	
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Revenue by Vote															
Vote 1 - Council	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote 2 - Office of the Municipal Manager	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote 3 - Economic Development and Planning	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote 4 - Infrastructure Development	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote 5 - Community Services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote 6 - Corporate Services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote 7 - Budget & Treasury	268 641 461	21 899 766	290 541 227	-		290 541 227	274 449 347		(16 091 880)	94 %	102 %				216 141 034
	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue by Vote	**268 641 461**	**21 899 766**	**290 541 227**	**-**		**290 541 227**	**274 449 347**		**(16 091 880)**	**94 %**	**102 %**				**216 141 034**
Expenditure by Vote to be appropriated															
Vote 1 - Council	31 364 645	104 363	31 469 008	-	-	31 469 008	28 633 379	-	(2 835 629)	91 %	91 %	-	-	-	26 669 089
Vote 2 - Office of the Municipal Manager	4 074 653	85 145	4 159 798	-	-	4 159 798	3 782 879	-	(376 919)	91 %	93 %	-	-	-	3 029 539
Vote 3 - Economic Development and Planning	13 954 927	314 860	14 269 787	-	-	14 269 787	7 332 587	-	(6 937 200)	51 %	53 %	-	-	-	5 024 705
Vote 4 - Infrastructure Development	34 801 753	(949 461)	33 852 292	-	-	33 852 292	22 363 661	-	(11 488 631)	66 %	64 %	-	-	-	18 401 967
Vote 5 - Community Services	21 853 571	(984 794)	20 868 777	-	-	20 868 777	14 780 456	-	(6 088 321)	71 %	68 %	-	-	-	11 215 069
Vote 6 - Corporate Services	16 502 559	(502 938)	15 999 621	-	-	15 999 621	15 990 874	-	(8 747)	100 %	97 %	-	-	-	15 639 977
Vote 7 - Budget & Treasury	75 646 077	(4 778 016)	70 868 061	-	-	70 868 061	102 897 649	-	32 029 588	145 %	136 %	-	-	-	102 405 714
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	**198 198 185**	**(6 710 841)**	**191 487 344**	**-**	**-**	**191 487 344**	**195 781 485**	**-**	**4 294 141**	**102 %**	**99 %**	**-**	**-**	**-**	**182 386 060**
Surplus/(Deficit) for the year	**70 443 276**	**28 610 607**	**99 053 883**	**-**		**99 053 883**	**78 667 862**		**(20 386 021)**	**79 %**	**112 %**				**33 754 974**

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Revenue By Source															
Property rates	28 813 349	3 565 110	32 378 459	-		32 378 459	43 986 731		11 608 272	136 %	153 %				27 660 306
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - water revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - sanitation revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Actuarial gain	-	-	-	-		-	1 308 000		1 308 000	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	100 000	(40 000)	60 000	-		60 000	75 369		15 369	126 %	75 %				25 757
Interest earned - external investments	4 084 512	2 645 116	6 729 628	-		6 729 628	7 827 305		1 097 677	116 %	192 %				4 062 008
Interest earned - outstanding debtors	5 250 789	5 110 704	10 361 493	-		10 361 493	12 455 292		2 093 799	120 %	237 %				8 937 629
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	10 000	40 000	50 000	-		50 000	156 030		106 030	312 %	1 560 %				8 100
Licences and permits	6 059 411	(1 000 000)	5 059 411	-		5 059 411	4 038 872		(1 020 539)	80 %	67 %				3 790 680
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	160 440 000	-	160 440 000	-		160 440 000	162 144 001		1 704 001	101 %	101 %				146 347 504
Other revenue	9 013 400	(7 713 400)	1 300 000	-		1 300 000	577 000		(723 000)	44 %	6 %				926 467
Gains on disposal of PPE	-	-	-	-		-	341 641		341 641	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	**213 771 461**	**2 607 530**	**216 378 991**	**-**		**216 378 991**	**232 910 241**		**16 531 250**	**108 %**	**109 %**				**191 758 451**

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	55 150 992	(7 931 711)	47 219 281	-	-	47 219 281	43 738 747	-	(3 480 534)	93 %	79 %	-	-	-	35 490 343
Remuneration of councillors	16 703 073	167 407	16 870 480	-	-	16 870 480	16 688 275	-	(182 205)	99 %	100 %	-	-	-	15 633 072
Debt impairment	12 563 377	(10 925 786)	1 637 591		3 580 553	5 218 144	36 155 334	-	30 937 190	693 %	288 %	-	-	-	45 985 588
Depreciation & asset impairment	24 066 148	(10 334 148)	13 732 000		-	13 732 000	10 955 840	-	(2 776 160)	80 %	46 %	-	-	-	9 064 338
Finance charges	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Bulk purchases	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other materials	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contracted services	34 211 022	599 755	34 810 777	-	-	34 810 777	26 701 886	-	(8 108 891)	77 %	78 %	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other expenditure	55 503 573	21 713 642	77 217 215	-	(3 580 553)	73 636 662	43 632 089	-	(30 004 573)	59 %	79 %	-	-	-	53 205 741
Loss on disposal of PPE	-	-	-	-	-	-	17 909 314	-	17 909 314	DIV/0 %	DIV/0 %	-	-	-	23 006 978
Total Expenditure	**198 198 185**	**(6 710 841)**	**191 487 344**	**-**	**-**	**191 487 344**	**195 781 485**	**-**	**4 294 141**	**102 %**	**99 %**	**-**	**-**	**-**	**182 386 060**
Surplus/(Deficit)	**15 573 276**	**9 318 371**	**24 891 647**	**-**		**24 891 647**	**37 128 756**		**12 237 109**	**149 %**	**238 %**				**9 372 391**
Transfers recognised - capital	54 870 000	19 292 236	74 162 236	-		74 162 236	41 539 106		(32 623 130)	56 %	76 %				24 382 583
Contributions recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**70 443 276**	**28 610 607**	**99 053 883**	**-**		**99 053 883**	**78 667 862**		**(20 386 021)**	**79 %**	**112 %**				**33 754 974**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**70 443 276**	**28 610 607**	**99 053 883**	**-**		**99 053 883**	**78 667 862**		**(20 386 021)**	**79 %**	**112 %**				**33 754 974**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**70 443 276**	**28 610 607**	**99 053 883**	**-**		**99 053 883**	**78 667 862**		**(20 386 021)**	**79 %**	**112 %**				**33 754 974**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**70 443 276**	**28 610 607**	**99 053 883**	**-**		**99 053 883**	**78 667 862**		**(20 386 021)**	**79 %**	**112 %**				**33 754 974**

Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2014

	2013/2014														2012/2013
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Vote 4 - Infrastructure development	134 398 980	606 863	135 005 843	-	-	135 005 843	74 598 687	-	(60 407 156)	55 %	56 %	-	-	-	48 480 985
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	**134 398 980**	**606 863**	**135 005 843**	**-**	**-**	**135 005 843**	**74 598 687**	**-**	**(60 407 156)**	**55 %**	**56 %**	**-**	**-**	**-**	**48 480 985**
Single-year expenditure															
Vote 1 - Council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Office of the Municipal Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Economic Development and Planning	950 000	-	950 000	-	-	950 000	-	-	(950 000)	- %	- %	-	-	-	-
Vote 4 - Infrastructure Development	2 500 000	(2 000 000)	500 000	-	-	500 000	-	-	(500 000)	- %	- %	-	-	-	-
Vote 5 - Community Services	3 880 000	-	3 880 000	-	-	3 880 000	-	-	(3 880 000)	- %	- %	-	-	-	-
Vote 6 - Corporate Services	2 000 000	1 026 000	3 026 000	-	-	3 026 000	4 054 061	-	1 028 061	134 %	203 %	-	-	-	1 357 771
Vote 7 - Budget & Treasury	3 990 522	4 099 963	8 090 485	-	-	8 090 485	5 676 976	-	(2 413 509)	70 %	142 %	-	-	-	859 087
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	**13 320 522**	**3 125 963**	**16 446 485**	**-**	**-**	**16 446 485**	**9 731 037**	**-**	**(6 715 448)**	**59 %**	**73 %**	**-**	**-**	**-**	**48 480 985**
Total Capital Expenditure - Vote	**147 719 502**	**3 732 826**	**151 452 328**	**-**	**-**	**151 452 328**	**84 329 724**	**-**	**(67 122 604)**	**56 %**	**57 %**	**-**	**-**	**-**	**96 961 970**

Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2014

	2013/2014											2012/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	**5 990 522**	**5 125 963**	**11 116 485**	**-**	**-**	**11 116 485**	**9 731 037**	**-**	**(1 385 448)**	**88 %**	**162 %**	**-**	**-**	**-**	**2 216 858**
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	3 990 522	4 099 963	8 090 485	-	-	8 090 485	5 676 976	-	(2 413 509)	70 %	142 %	-	-	-	859 087
Corporate services	2 000 000	1 026 000	3 026 000	-	-	3 026 000	4 054 061	-	1 028 061	134 %	203 %	-	-	-	1 357 771
Community and public safety	**6 380 000**	**(2 000 000)**	**4 380 000**	**-**	**-**	**4 380 000**	**-**	**-**	**(4 380 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Community and social services	3 880 000	-	3 880 000	-	-	3 880 000	-	-	(3 880 000)	- %	- %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	2 500 000	(2 000 000)	500 000	-	-	500 000	-	-	(500 000)	- %	- %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	**135 348 980**	**606 863**	**135 955 843**	**-**	**-**	**135 955 843**	**74 598 687**	**-**	**(61 357 156)**	**55 %**	**55 %**	**-**	**-**	**-**	**48 480 985**
Planning and development	950 000	-	950 000	-	-	950 000	-	-	(950 000)	- %	- %	-	-	-	-
Road transport	134 398 980	606 863	135 005 843	-	-	135 005 843	74 598 687	-	(60 407 156)	55 %	56 %	-	-	-	48 480 985
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Standard	**147 719 502**	**3 732 826**	**151 452 328**	**-**	**-**	**151 452 328**	**84 329 724**	**-**	**(67 122 604)**	**56 %**	**57 %**	**-**	**-**	**-**	**50 697 843**
Funded by:															
National Government	85 717 018	18 080 969	103 797 987	-		103 797 987	41 539 106		(62 258 881)	40 %	48 %				50 697 843
Equitable share	-	-	-	-		-	16 491 717		16 491 717	DIV/0 %	DIV/0 %				-
Transfers recognised - capital	**85 717 018**	**18 080 969**	**103 797 987**	**-**		**103 797 987**	**58 030 823**		**(45 767 164)**	**56 %**	**68 %**				**50 697 843**
Public contributions & donations	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Borrowing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Internally generated funds	62 002 883	(14 348 144)	47 654 739	-		47 654 739	26 298 901		(21 355 838)	55 %	42 %				-
Total Capital Funding	**147 719 901**	**3 732 825**	**151 452 726**	**-**		**151 452 726**	**84 329 724**		**(67 123 002)**	**56 %**	**57 %**				**50 697 843**

Makhuduthamaga Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2014

	2013/2014								2013
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	31 382 801	1 136 600	32 519 401	32 519 401	6 122 823	(26 396 578)	19 %	20 %	9 403 742
Government - operating	160 440 000	-	160 440 000	160 440 000	160 490 840	50 840	100 %	100 %	146 598 805
Government - capital	54 870 000	-	54 870 000	54 870 000	25 315 000	(29 555 000)	46 %	46 %	45 436 000
Interest	4 084 512	2 645 116	6 729 628	6 729 628	20 044 669	13 315 041	298 %	491 %	12 646 868
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	(163 796 938)	27 970 775	(135 826 163)	(135 826 163)	(125 643 918)	10 182 245	93 %	77 %	(116 527 854)
Finance charges	-	-	-	-	(2 366)	(2 366)	DIV/0 %	DIV/0 %	(13 224)
Transfers and Grants	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used operating activities	**86 980 375**	**31 752 491**	**118 732 866**	**118 732 866**	**86 327 048**	**(32 405 818)**	**73 %**	**99 %**	**97 544 337**
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	390 150	390 150	DIV/0 %	DIV/0 %	16 864
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Capital assets	(147 719 901)	(3 732 826)	(151 452 727)	(151 452 727)	(84 329 723)	67 123 004	56 %	57 %	(50 629 245)
Net cash flow from/used investing activities	**(147 719 901)**	**(3 732 826)**	**(151 452 727)**	**(151 452 727)**	**(83 939 573)**	**67 513 154**	**55 %**	**57 %**	**(50 612 381)**
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Repayment of borrowing	-	-	-	-	(80 648)	(80 648)	DIV/0 %	DIV/0 %	(138 256)
Net cash flow from/used financing activities	**-**	**-**	**-**	**-**	**(80 648)**	**(80 648)**	**DIV/0 %**	**DIV/0 %**	**(138 256)**
Net increase/(decrease) in cash held	**(60 739 526)**	**28 019 665**	**(32 719 861)**	**(32 719 861)**	**2 306 827**	**35 026 688**	**(7)%**	**(4)%**	**46 793 700**
Cash/cash equivalents at the year begin:					127 395 144				80 670 039
Cash/cash equivalents at the year end:	**(60 739 526)**	**28 019 665**	**(32 719 861)**	**(32 719 861)**	**129 701 971**	**35 026 688**	**(396)%**	**(214)%**	